

## **Money Control – chat session with Mr Anil Rego, CEO & Founder, Right Horizons.**

**Date: 20<sup>th</sup> Jan 2009**

**anil rego:** Hi Everyone. This is Anil Rego. I am ready to take your questions.

**TheMatador:** Mr. Rego, which is your pick among ELSS funds- SBI Magnum Taxgain, FT India Taxshield, Sundaram Tax saver ?

**anil rego:** I would always recommend a combination of funds. It is recommended that you invest in about 3-4 funds on an average since one needs to take a decision with past data. What the future return could be very different. Hence, you could use a combination of these funds. You could also consider HDFC Tax Saver.

**dipesh\_rathi:** hello sir...guide me about tax planning when i am already in the higher tax bracket slab..after using my 1 lac of limit allowed last year

**anil rego:** If you have crossed the Rs 1 lakh limit under section 80C, you can look at taking advantage of Section 80D towards medical insurance premium of self or for parents. In addition, you can look at various exemptions like HRA, LTA, Reimbursements, etc. You can also consider the benefit of interest on your home loan.

**rs\_bisen:** i have 32k as LIC premium and SIP is around 90k. do i need to invest more to get more tax benefit

**anil rego:** Your SIP needs to be in a tax saving ELSS fund. If you have used an ELSS fund, then you would have fully utilized the benefit under section 80C. You can then consider other benefits that I have mentioned earlier.

**poisa:** Can I get LTA benefit on the travel I made during a 5 days of sick leave? My employer has denied the same, your view plz.

**anil rego:** You can take the benefit only if you have applied for casual leave.

**d0353101:** I have applied jointly for home loan of 30 lakh with my wife. is 2.5 lakh (1.5 lakh deduction in interest 1 lakh in Principal) is applicable for both of us ??

**anil rego:** Yes - each of you can take the benefit. However, the benefit is restricted to the interest and principal component separately. ie if Total interest is Rs 3 lakh then each of you can claim Rs 1.5 lakh each. However if interest is lesser than Rs 3 lakh then you need to split this in a particular ratio (eg 50% each). The same ratio needs to be used for the principal repayment component. The ratio needs to be maintained in all subsequent years. Pls keep in mind that the house needs to be in joint names and so should be the loan.

**anandchoyal:** Hello sir. could you pls suggest me a best pension plan available in the market (unit linked) that will also help me in my tax planning.

**anil rego:** I would not like to mention any particular product. Keep in mind that if you buy a pension plan it is taxable. Hence, if you are in the younger age group, you can use a unit linked insurance plan (ULIP) with a minimum life cover that can be

used to take tax free pension. In that case, use a whole of life ulip. If one is 50 yrs and above then a pension plan could be used keeping in mind that cost of insurance could eat into your pension. Look for a plan that has a lower fund management charges (FMC) since that will work out cost effective in the long term.

**hemantccna:** hi i want to save 25 thousand for tax which is best options

**anil rego:** This depends on your risk appetite. You could use conservative options like PPF, Insurance, Bank FD or aggressive options like unit linked insurance or ELSS funds. If you are younger, you can consider using higher risk options. Keep in mind that in the long term, you should always use a combination of low risk and high risk options. Having an asset allocation will help you get upside when markets do well and at the same time the conservative options will protect you when markets are down. Some of the ELSS funds you can consider are HDFC Tax Saver, Sundaram BNP Paribas Tax Saver, Franklin India Taxshield and SBI Magnum Tax gain.

**pramodshinde3:** i have 50,000 rupees and i want to tax plan with fure good results plz help me

**anil rego:** As responded earlier, you can diversify. Since Rs 50,000 is a reasonable amount, you can use 2-3 ELSS funds as mentioned above and invest about 20K into PPF/Insurance/Bank FD depending on your needs.

**sampath\_rk:** What Tax Breaks Are Possible Today, in Medical Insurance?

**anil rego:** Under Section 80D for Medical Insurance you can get a benefit of Rs 15,000 for premium of yourself and family and separately you can get a benefit of Rs 15,000 for premium of your parents. Total benefit is thus Rs 30,000

**shabana83:** Mr. Anil, if i want to invest 150000 for tax saving... which instrument i should go for...NSC LIC / UTI Bank deposit PPF OR MF...

**anil rego:** The limit for tax saving under Section 80C which is the investment section is Rs 1 lakh. Hence, an investment above this limit can be done in non tax saving avenues. I have suggested you use diversified options as covered earlier. You can also invest monthly in a Systematic Investment Plan in mutual funds for investments beyond Rs 1 lakh. If you are looking for lower risk, then you can also use debt options like Income Funds(with an investment horizon of about Rs 1 year) or bank fixed deposits or company deposits in Govt entities.

**pune\_swengineer:** Sir, my wife is having some agricultural income (from then land she inherited from her parents) which is more than the taxable limit. Does she needs to file her return? She has a PAN card also.

**anil rego:** She needs to file her return.

**pune\_swengineer:** Sir, what is the benefit of pension plans inveting in debt compared to inesting in pure debt?

**anil rego:** When you invest in debt plans, you need to evaluate the options that are tax efficient (ie you pay less tax on the returns that you get). Pension plans are taxable. You can look at debt options that are tax efficient like PPF, Debt Mutual Funds. You could invest into an the option that gives you the best post tax returns.

This would differ from person to person depending on the tax bracket one is in.

**ynet:** What is the tax implication on trading in Gold ETFs

**anil rego:** Gold ETFs would be covered under capital gains. If it is for a period less than one year, it will be added to income and taxed at the tax rate you are in. If it is more than 1 year, then it is at 20% after indexation for cost inflation index or 10% flat.

**vdatar:** Sir, Do you think one should wait for investing in Tax Saving Mutual funds till election announcement ?

**anil rego:** Since markets are already down, you can invest straight away. Many companies ask for proofs from employees much earlier than March 31st. In that case you may not have a choice. If you do have a choice you can spread out the investment into 3-4 installments or can even initiate a monthly investment through a Systematic investment plan (SIP). The SIP is the most preferred route since you are spreading your investments.

**vdatar:** Sir, If you have to select only one Tax saving Mutual Fund which will it be ?

**anil rego:** A combination is suggested rather than 1 fund for reasons mentioned earlier.

**vow!!:** sir, my income from equities is considered as business income, in which case do I have to worry about long/short term loss or gain, can my long/short loss be C/F FOR 8 YEARS?

**anil rego:** If your income is considered as business income you are already at the higher tax rate and hence don't have to be bothered about whether it is long term or short term. You can carry forward losses for 8 years.

**misra\_rk:** Hi Anil...In today's market if I am looking for direct investments in equity, is derivative a good option?

**anil rego:** Derivatives are to be considered only if you have good experience on the stock markets. Many individuals have lost heavily on futures transactions since losses are also not capped. The cost of options may be too high to only invest in them even though the downside is capped. Blue chip defensive stocks are recommended instead.

**srigowri85:** Mr. Anil I have read your contrarian investment article, how is it applicable to Satyam computers scenario?

**anil rego:** Contrarian investment style cannot be blindly used. People may have been tempted to buy Satyam at various times thinking it is cheap. If you analyse the circumstances and feel that the value of the company is higher than what is the current market price, then buy Satyam. However, these are very high risk options hence keep such investments to 5% of your portfolio. You will either get a jackpot or lose your capital.

**imran1981:** Can we Avail deduction on Home Loan Principle repayment on 1 lacks and 1 lack in 80C section ?

**anil rego:** Total limit of Section 80C is Rs 1 lakh. This includes both for principal and all other investments under this section. Hence, you cannot get benefit of Rs 2 lakh.

**pune\_swengineer:** But sir , I have heard that agricultural income is tax free?

**anil rego:** Let me rephrase what I meant. I would always recommend filing your returns when you have income which is tax free. Even if you do not need to file your returns. I am suggesting you file a tax free returns. This is a useful record for you in the future.